



STATE PROCUREMENT OFFICE
NOTICE OF REQUEST FOR EXEMPTION
FROM HRS CHAPTER 103D

14 NOV 10 A8:47

ADMINISTRATION
STATE PROCUREMENT OFFICE
STATE OF HAWAII

TO: Chief Procurement Officer

FROM: Hawaii Department of Agriculture - ADC
Name of Requesting Department

Pursuant to HRS § 103D-102(b)(4) and HAR chapter 3-120, the Department requests a procurement exemption for the following:

1. Describe the goods, services or construction:

The goods and services to be exempted is for the Zero Waste Conversion Project in Keaau. The following is a list of the equipment to be supplied and assembled by the vendor: Centrifuge, fermenter tanks, reactors, bins, scale, custom washer, custom seed remover, seed dryer, oil press, oil barrel, and coarse and fine grinders. This projects is a continuation of a successful mini-scale project authorized by a contract (Contract 61823) between ADC and USDA Agricultural Research Services. The purpose of this project is to develop a demonstration facility to evaluate the commercial potential of the process developed by ADC and USDA that converts heterotrophic algae/fungi from waste papaya into oil and feed products. The specialized equipment needed for this project must be modified, and in some cases, fabricated to specifications in order for it to produce concentrated algae meal under real-world industrial conditions. For this project, ADC will purchase used equipment that is readily available due to the recent closing of a biofuel facility on Maui. In addition to the equipment, ADC needs labor and space to assemble and house the equipment temporarily until it can be transfer to a State-owned facility in Hilo once it's built to ADC's specifications.

2. Vendor/Contractor/Service Provider:

Pacific Biodiesel Technologies, LLC

3. Amount of Request:

\$ 950,000

4. Term of Contract From:

Nov 14

To:

Apr 15

5. Prior SPO-007, Procurement Exemption (PE):

6. Explain in detail, why it is not practicable or not advantageous for the department to procure by competitive means:

There are no other companies in Hawaii that has the specialized equipment, labor, and space to meet ADC's needs. If ADC is unable to acquire used equipment, the other option would be to purchase equipment, most likely new, from a vendor outside of Hawaii. Due to limited resources, and the time and additional cost to ship the equipment overseas, this would not be economically feasible. With the recent closing of their Puunene facility on Maui, Pacific Biodiesel Technologies, LLC has available parts specifically designed for the zero waste process and space in Hilo to modify the equipment to ADC's specification. The equipment is in good condition, on-island, and currently being offered at a discounted price. Since the process requires customized equipment that may take time to modify and possibly fabricate, ADC will purchase the equipment from Pacific Biodiesel which includes labor to modify and fabricate the equipment. Additionally, ADC will enter into a memorandum of understanding with Pacific Biodiesel Technologies, LLC to develop a temporary demonstration facility on Pacific Biodiesel's property. This will ensure repairs and modification are more readily available, should the equipment breakdown.

7. Explain in detail, the process that will be or was utilized in selecting the vendor/contractor/service provider:

ADC obtained the specs for the critical pieces of equipment to conduct a cost comparison. After searching the internet for other vendors, we found a few who carry the specialized equipment for the zero waste process. Two companies were based in the U.S. mainland and the other in Germany. ADC made inquiries based on the specifications needed for the project. To date, every quote exceeded ADC's allotted budget, which does not include assembly and shipping cost.

8. Identify the primary responsible staff person(s) conducting and managing this procurement. (Appropriate delegated procurement authority and completion of mandatory training required).

*Point of contact (Place asterisk after name of person to contact for additional information).

Name	Division/Agency	Phone Number	e-mail address
James Nakatani	HDOA/ADC	586-0186	James.Nakatani@hawaii.gov
Lynn Owan	HDOA/ADC	586-0187	Lynn.Owan@hawaii.gov

*All requirements/approvals and internal controls for this expenditure is the responsibility of the department.
I certify that the information provided above is, to the best of my knowledge, true and correct.*

Department Head Signature

11/6/14
Date

For Chief Procurement Officer Use Only

Date Notice Posted: 11.12.14

Inquiries about this request shall be directed to the contact named in No. 8. Submit written objection to this notice to issue an exempt contract within seven calendar days or as otherwise allowed from date notice posted to: state.procurement.office@hawaii.gov

Chief Procurement Officer (CPO) Comments:

Approval granted with the understanding that the department has determined it is not advantageous to conduct a competitive procurement based on its analysis of purchase of new equipment vs. existing equipment (to be customized). Additional information provides breakdown of the various specialized equipment that the Contractor will customize or fabricate that will be needed to take the project to demonstration scale. The department has determined that the Contractor has the expertise to design and build the necessary equipment because of its experience in the operation of a zero waste facility in the State of Hawaii. Contractor shall also provide a temporary facility to be used as the demonstration site to carry out the program until a permanent location is obtained.

The SPO is concerned that a memorandum of agreement (MOA) may not be sufficient legal documentation between the State and the Contractor to protect the State's rights, therefore, SPO recommends Agency contact their department's legal counsel to ensure proper protection/contractual terms and conditions, inclusive of property rights, etc., are included.

Approval is for the solicitation process only, HRS section 103D-310(c) and HAR section 3-122-112, shall apply (i.e. vendor is required to be compliant on the Hawaii Compliance Express) and award is required to be posted on the Awards Reporting System. Copies of the HCE certificate and awards posting are required to be documented in the procurement/contract file.

If there are any questions, please contact Donn Tsuruda-Kashiwabara at 586-0565, or donna.tsuruda-kashiwabara@hawaii.gov.

☒ Approved

☐ Disapproved

☐ No Action Required

Chief Procurement Officer Signature

12/11/14
Date